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PAGE 01 STATE 243446

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FOR ASSISTANT SEC ENDERS

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SUBJ: TENTH FIVE-YEAR PLAN: SOVIETS HAVING PROBLEMS GETTING
IT ALL TOGETHER

1. WITH START OF TENTH FIVE-YEAR PLAN PERCOD TESS THAN THREE
MONTHS AWAY, FOLLOWED BY 25TH PARTY CONGRESS IN FEBRUARY,
THERE ARE INCREASING SIGNS THAT MUCH WORK REMAINS TO BE DONE
BEFORE COMPLETION FINAL PLAN. SPECIFIC SECTIONS OF PLAN,
SUCH AS THOSE DEALING WITH COORDINATION BILATERAL TRADE AND
ECONOMIC RELATIONS WITH CEMA PARTNERS, HAVE APPARENTLY BEEN
FINISHED AND SOVIET PRESS HAS REPORTED AGREEMENT WITH SEVERAL
THESE GOVERNMENTS ON COORDINATION OF PLANS. FOLLOWING ARE
SOME FACTORS WE SEE IN DELAY OF WRAP-UP OVERALL PLAN: (A)
UNEXPECTEDLY LARGE HARD-CURRENCY EXPENDITURES FOR GRAIN IMPORTS
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PAGE 02 STATE 243446

(PERHAPS IN RANGE DOLS 3 BILLION) FOR THIS YEAR, WITH CONSEQUENT

IMPACT ON AVAILABILITY FUNDS FOR OTHER IMPORT NEEDS IN COMING YEARS; (B) CONTINUING RESISTANCE BY MINISTRIES AND OTHER ORGANIZATIONS (INCLUDING LOCAL AUTHORITIES) TO REORGANIZATIONS OF ECONOMIC MANAGEMENT IN FORMS OF PRODUCTION ASSOCIATIONS IN ACCORDANCE WITH MARCH 1973 PARTY/GOVERNMENT RESOLUTION; (C) WIDE DISAGREEMENT ON SPECIFICS OF REORGANIZATION, ESPECIALLY WITH REGARD TO LEVEL AT WHICH VARIOUS MANAGEMENT DECISIONS (UTILIZATION OF CAPITAL CONSTRUCTION AND OTHER FUNDS, QUALITY CONTROL, ETC.) ARE TO BE MADE; (D) EXTENSIVE PRESSURE, IN PARTICULAR FROM SEVERAL REGIONAL AUTHORITIES, FOR NEW INDUSTRIAL PROJECTS DESPITE PARTY/GOVERNMENT MANDATE TO MODERNIZE AND MORE FULLY USE EXISTING CAPITAL STOCK BEFORE STARTING NEW CONSTRUCTION; (E) PROBLEMS CONNECTED WITH DECLARED EMPHASIS ON PRODUCTION QUALITY DURING NEXT FIVE YEARS, INCLUDING NEED TO DEVELOP STANDARDS AND TO RE-EDUCATE MANAGERS AND WORKERS AWAY FROM TRADITIONAL QUANTITATIVE SUCCESS INDICATORS; (F) EXTREMELY COMPLEX, AND FREQUENTLY CONTRADICTORY, LEGAL SYSTEM FOR ECONOMIC ACTIVITY, WHICH FACILITATES DILATORY AND OBSTRUCTIVE TACTICS BUT MORE FREQUENTLY PROVIDES LEGAL BASIS FOR SIMPLY DOING NOTHING.

2. RECENT PRESS ARTICLES BY HIGH-LEVEL OFFICIALS OF STATE PLANNING COMMITTEE (GOSPLAN), STATE COMMITTEE FOR STANDARDS (GOSSTANDART), AND SEVERAL INDUSTRIAL MINISTRIES PROVIDE FURTHER EVIDENCE OF ABOVE PROBLEMS (BEING REPORTED BY AIRGRAM). IN ADDITION LOWER LEVEL CONTACTS IN GOSPLAN AND MINISTRY OF FOREIGN TRADE HAVE INDICATED THAT WORK ON PLAN IS NOT SO COMPLETE AS IT WOULD NORMALLY BE AT THIS LATE DATE, AND THEY CONFIRM PROBLEMS IN AREAS LISTED ABOVE. EMBASSY HAS ALSO RECEIVED REPORTS FROM AMERICAN BUSINESSMEN AND OTHER DIPLOMATIC REPRESENTATIVES IN MOSCOW THAT LIMITED HARD-CURRENCY AVAILABILITY IS HAVING EFFECT NOT ONLY ON CERTAIN CURRENT NEGOTIATIONS BUT ALSO ON LONGER TERM PLANNING.

3. COMMENT - WITH EXCEPTION OF EXCESSIVE DEMANDS FOR HARD-CURRENCY GENERATED BY LARGE GRAIN IMPORTS, SOURCE OF MOST PROBLEMS DELAYING COMPLETION TENTH FIVE-YEAR PLAN CAN BE FOUND IN ATTITUDES OF CONSERVATIVE PARTY/GOVERNMENT OFFICIALS WHO PREFER TO CONTINUE TO RELY ON "SOCIALIST COMPETITION" AND HIGHLY CENTRALIZED PLANNING AS KEYSTONES OF SOVIET ECONOMIC SYSTEM. LIMITED OFFICIAL USE

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PAGE 03 STATE 243446

A FORMIDABLE PUSH FROM THE TOP WILL BE NEEDED TO DISLodge THIS BARRIER AND PERMIT INFLOW OF REALLY SIGNIFICANT CHANGES IN ECONOMIC SYSTEM, SUCH AS THOSE ANNOUNCED AS PARTS OF PRODUCTION ASSOCIATION SCHEME. EVEN UNDER MORE FAVORABLE CONDITIONS, EMBASSY BELIEVES CHANCES SLIM THAT THIS ACTION-REACTION CYCLE COULD BE IMPLEMENTED FAST ENOUGH TO HAVE IMPACT ON OVERALL PLAN: IN VIEW OF PROBABLE DIFFICULTIES, BOTH ECONOMIC AND POLITICAL, ENGENDERED BY GRAIN PURCHASES THIS YEAR PROBABILITY OF MAJOR

ECONOMIC CHANGES BEING INCLUDED IN PLAN IS EVEN LOWER. EMBASSY
PREDICTS THAT TENTH FIVE-YEAR "PLAN OF QUALITY" WILL CLOSELY
RESEMBLE PREVIOUS PLANS EXCEPT THAT THE NUMBERS WILL BE
LARGER.
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